

MONTANA BOARD OF HOUSING

301 S Park Ave. Room 226

Helena, MT 59601

January 7, 2008

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)  
Betsy Scanlin, Vice Chairman (Present)  
Susan Moyer, Secretary (Excused)  
Audrey Black Eagle (Excused)  
Bob Gauthier (Present)  
Jeanette McKee (Present)  
Jeff Rupp (Present)

STAFF: Bruce Brensdal, Executive Director  
Mat Rude, Multifamily Program Manager  
Chuck Nemec, Accounting & Finance Manager  
Nancy Leifer, Homeownership Program Manager  
Penny Cope, Marketing & Web Specialist  
Charles Brown, Homeownership Supervisor  
Jeannene Maas, Training & Development Specialist  
Vicki Bauer, Assistant Accounting & Finance Manager  
Gerald Watne, Multifamily Program Officer  
Diana Hall, Administrative Assistant  
Danie DeShaw, Project Based Section 8 Program

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Gordon Hoven, Piper Jaffray

OTHERS: Sheila Rice, Montana Homeownership Network  
Cindy Donnell, USDA – Rural Development  
Gene Leuwer, Rocky Mountain Development Council  
Steve Redinger, Intermountain Mortgage/Guild Mortgage  
Mary Ann Mc Garry, Guild Mortgage  
Rhona Kaninau, Guild Mortgage  
Barbara Seeley, Guild Mortgage

## **CALL MEETING TO ORDER**

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m. He asked the Board, staff, and guests to introduce themselves.

## **APPROVAL OF MINUTES**

Jeanette McKee moved to approve the November 19th Board meeting minutes as corrected. Betsy Scanlin seconded the motion. The Chairman asked for comments. The motion passed unanimously.

## **MULTIFAMILY PROGRAM**

Mat Rude gave an update on Tax Credits and said the Old Holy Rosary hospital renovation project is now called The Cornerstone. He also reported that Liberty Lanes project in Missoula is now called The Equinox. The deadline for Tax Credit applications is January 18<sup>th</sup>. Mat said that a couple of past projects will request an increase, but will be ranked with the other projects. Jeff would like information on historic Tax Credit projects. Mat announced that Judy Tice has been hired in the Multifamily Program as a compliance specialist for tax credits.

There was an exception to the Reverse Annuity Mortgage (RAM) Program lump sum limit. Bob Gauthier suggested that staff bring a recommendation for raising the lump sum payment or doing away with the exception. Betsy Scanlin expressed concern about RAM funds continuing to be available. Bob Gauthier moved to accept the RAM exception. Betsy Scanlin seconded the motion. The Chairman asked for comments. The motion passed unanimously.

## **FINANCE PROGRAM**

Chuck Nemec said the IRS released bond cap to the State and the MBOH portion for 2008 is \$75 million. Bruce Brensdal and JP Crowley went to the Capital Finance Committee and MBOH will receive about \$101 million of the carry forward. The Committee suggested that agencies work with the State financial advisors to co-ordinate issuance of debt. MBOH will have approximately \$176 million of bond cap for the coming year. The multifamily project, Sage Tower, has \$2.5 million already committed. In 2007, MBOH expended \$185 million in bond cap, so MBOH has \$11 million less for 2008. Replacement funding also determines how much we use. The National Council of State Housing Agencies (NCSHA) is encouraging the national bond cap to be raised and used for things other than just subprime activities.

The debt service payments were made in December with core amounts of \$6.5 million maturing and another \$43 million of special redemption from loan payoffs prepayments of which \$38.5 million were eligible for replacement refunding and MBOH took advantage of that. There were shortfalls in a couple of series that need assistance in meeting their debt service requirements and it was minimal at \$334,000 that had to be subsidized from the allocated funds.

The Independent Auditor's financial report showed a clean opinion that again gives compliments to the staff. The second page gives some of the highlights like management discussion and analysis. Over 1600 loans were originated for \$190 million. There was \$2.25 million in tax credits.

Chuck presented the quarterly agency report for the 1977 and 1979 indentures which goes to the Standard and Poor's and Moodys rating agencies plus the underwriters. The key information for the Board is the delinquency statistics and debt outstanding.

The quarterly investment report and the diversification and average yield report showed the places of investment and the return. Chuck also gave the quarterly investment report which showed the the investment type by maturity date, institution, and par value of the individual securities.

Tony Preite, Director of Commerce welcomed the Board and thanked them for what they do in assisting people in obtaining livable, affordable housing in Montana.

The Investment Policy was discussed and no changes were recommended by staff. Bob Gauthier move to continue with the existing policy. Betsy Scanlin seconded the motion. Betsy Scanlin withdrew her second. Betsy Scanlin moved to table the motion until March. Jeanette McKee seconded the motion. The motion is tabled until March. The Investment Policy is on the Housing website under Accounting & Financial information.

Nancy Leifer and Chuck Nemec gave an update on the available funds which included the pre-Ullman, retired bonds, and special reserve funds. They also presented a timeline for use of 0% funds.

There will be a strategic planning session before the Board meeting in March on the 9<sup>th</sup>. Betsy asked the record to note that she expressed concern that people don't show up for Board meetings and planning sessions. The Board members expressed that they prefer not to have video conferencing or metnet for the Board meetings. The February meeting will be in Butte.

### **HOMEOWNERSHIP PROGRAM**

Nancy Leifer reported that the Set-aside program currently has \$14,658,420, primarily Pre-Ullman funds, set aside for individual special programs.

Mountain Springs Villa in Red Lodge requested a loan for \$825,000 at 1% for 25 years to help finance the purchase and infrastructure for the resident-owned manufactured housing community (ROC). One year earlier, the Board of MBOH approved a one-year loan for an option to purchase the park with the understanding that MBOH would provide up to \$825,000 at a rate and term necessary to help ensure that the purchase and infrastructure improvements of the park were successful. Mountain Springs Villa was meant to serve as a model for how to create resident-owned cooperative manufactured housing communities from previous trailer parks. Sheila Rice gave an overview of the project one year later, noting that the infrastructure costs had come in higher than anticipated. Betsy Scanlin noted that the proposed ROC would have 32 units. While the ROC is responsible for the operation and repayment of the loan to purchase the park and build the infrastructure, individual homeowners in the park will be responsible for financing the placement of their homes on permanent foundations. Sheila reported that the experience has given MHN and the other folks involved wonderful insights into the process of creating a ROC and of financing manufactured homeownership. Bob Gauthier moved to approve the loan request as presented. Jeannette McKee seconded the motion. The Chairman asked for comments. Betsy recused herself in light of her involvement with the project. The motion passed unanimously. Bob thanked Sheila and Betsy for their creative way of solving a problem.

Nancy gave an update on the Cooper Street Project which had an original agreement to sell the six lots in the project for affordable homes by January of 2008. The original intent of the project, to be a model for the use of manufactured or modular homes, did not work out in part because of the snow-load requirement for Red Lodge. The Red Lodge Area Economic Development Council submitted a revised plan to MBOH in December under which the lots would be sold over the next year. Based on the revised plan, MBOH agreed to extend the agreement to December of 2008 before the loan is due.

The Lot Refinance Program requested an extension of time to 12/31/10. Nancy handed out proposed guidelines for lenders using the Lot Refinance Program to purchase manufactured homes. Betsy Scanlin moved to grant the extension. Bob Gauthier seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Staff requested an additional \$1 million and a time extension through December, 2008 for the HUD 184 Program that serves Native American households at moderate and lower incomes. Bob Gauthier moved to grant the request. Jeff Rupp seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Rural Development requested an extension of the RD Loan Leverage Program for 1 year. Jeanette McKee moved to accept the request. Bob Gauthier seconded the motion. The Chairman asked for comments. The motion passed unanimously.

There have been 124 reservations for loans in the 2007D bond issue. Approximately \$20 million has been committed at 6½%. The December loan volume was the same as the previous year. The market appears to be going in a downward trend for rates.

Nancy said the servicing audits revealed that the biggest issue is listing MBOH on the hazard insurance. That continues to be challenging because homeowners change companies without notifying the servicer. Staff has identified areas of expectations that need to be highlighted for servicers and prepared a list to use with current and potential servicers.

Guild Mortgage Company representatives gave an overview of their servicing qualifications and requested the opportunity to become a MBOH servicer. The guidelines do not prevent servicing from out of state, but they do specify the type of servicing that must be provided. Bob Gauthier moved to approve the request. Jeanette McKee seconded the motion. The Chairman asked for comments. The motion passed unanimously. Board members expressed interest in discussing out of state servicing.

Congress passed legislation to award \$180 million to Neighbor Works of American to be used for the year for foreclosure counseling around the country. The applications are due February 8<sup>th</sup>. Jeff moved to authorize the chairman to act on behalf of MBOH to submit an application. Bob Gauthier seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Nancy presented the updated participating servicer qualifications and also the participating lender qualifications. Betsy Scanlin moved to give approval to notice these amendments to the current administrative rules that are up for adoption in the form staff deems appropriate. Jeanette McKee seconded the motion. The Chairman asked for comments. The motion passed unanimously.

Nancy presented a delinquencie and foreclosure update. Doug Jensen said the servicers are doing a great job keeping the percentages low.

The Request for Proposal (RFP) for Master Servicer deadline for applications is January 18<sup>th</sup>. Staff will have a recommendation for award at the February Board meeting.

#### EXECUTIVE DIRECTOR

Bruce presented a memo from the Director of Commerce, Tony Preite, and himself on the results of the December 10<sup>th</sup> special Housing Coordinating Team at the Governor's office. He thanked Penny Cope for making the list of all the ideas. They will meet to discuss the next steps. There are many committee working on the suggestions.

The Mountain Plains Housing Summit will be May 6-7 in South Dakota. The Board meeting will take place in Eastern Montana before the Summit. The 2008 Housing Conference will be June 11-13 in Great Falls.

Penny presented the Housing Division Highlights and an article on the teachers program in the Bitterroot Valley.

The next meeting is scheduled for February 11 in Butte. Future meetings are tentatively scheduled for March 10 in Helena, April 7 in Helena, May 5<sup>th</sup> Southeastern Montana, and June 2 in Pablo.

The meeting adjourned at 12 noon.

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Susan Moyer, Secretary

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Date